

Incentive Taxation

Reduce Property Taxes for Most Voters

Altoona Adopts Two-Rate

The City Council of Altoona, Pa., Queen City of Appalachia, has just adopted a land-oriented two-rate property tax for 2003.

Instead of taxing both building and land assessments at 38.34 mills, its new rates will be 30.78 mills on building assessments coupled with 91.764 mills on land assessments.

- 60% of the residences will save with the new two rates.
- 55% of the commercial properties will save.
- 54% of the industrial properties will save.

Who then will pay more? The owners of vacant lots in the city, of which there are many (there are no jobs on vacant lots).

These vacant lots, many of which are owned by non-Altoonans, force residents of the city to lengthen their trips to work and shopping, and add little to the city's amenities.

They often are festooned with unsightly litter. If Altoona decides that it wants a site to be undeveloped, it could zone such sites that way. Vacant lots do not add, generally, to a town's attractiveness.

The president of the Center for the Study of Economics, Joshua Vincent, was asked by Altoona City Council to do a study of the impact of the two-rates (specifically, what two-rates will provide the city with the revenue it needs, and who will pay more, who less). Fortun-

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Another Way to Do It

Of the FIVE ways to switch the property tax off buildings and onto land, the simplest and neatest is to levy a separate tax rate on land assessments - separate and apart from the existing property tax.

Revenue from this separate land tax could be earmarked for parks & playgrounds (or for their improvement), or deficits, etc.

Public discussion then would likely center on parks, playgrounds, or deficits, and not on how they are to be paid for.

Remembering Dian Arnold

Most people pass through this world with little note; they are not bad or lazy or dull; they just live and then do not. For someone completely different, let us bow our heads and celebrate the life of Dian Arnold, of Fairhope Alabama.

Dian laughed a lot, smoked a bit, and enjoyed life absolutely. She loved her family, demanded economic justice of the world and worked to get it. At the time of her death, Dian was working with pastors in Alabama to promote LVT as an anti-poverty tool, was working to get LVT known by the new governor of Alabama, and was firing off faxes to the city government of Philadelphia. Always she was trying, and succeeded in getting across much more often than not.

We will miss her cowboy boots,

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From the Director: Land & Taxation News

Connellsville Leaps, Doesn't Look

CSE notes that Connellsville has finally succumbed to a ten-year campaign by owners of vacant land to drop the land tax, the adoption of which coincided with increases in construction in that small city. By dropping this successful program, the majority of homeowners will see a tax increase and vacant land owners will receive - get this windfall - a 63.3% tax reduction. CSE will expend much effort in an education effort aimed at productive business, homeowners, and seniors, all of who will endure the most of this tax hike. Time to buy land and knock down buildings in Connellsville!

The Granite State Looks to its Strength

Real Property Taxation is the primary source of tax revenue for New Hampshire. Many experts believe that's why New Hampshire has prospered despite a rough climate and distance from most markets. They might go the Full Monty: a statewide land value tax. According to the University of New Hampshire, Professor Richard England is conducting a study on the feasibility of a shift:

"The Pittsburgh example [of LVT] is encouraging," says England, "and pos-

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We offer our condolences to the families of

Irene Hickman

It is with great sadness that we report the death of Dr. Irene Hickman, a long and strong supporter of the reform championed by this publication. She was in her late eighties and was a mighty fighter and researcher. We will miss her personally.

Gary Carlson

We were very saddened to learn that Gary Carlson has died. The Economic Development Administrator in Leavenworth, Kansas Mr. Carlson was a loyal *IT* reader of many years. We will share appropriate details when we get them.

Altoona Adopts Two-Rate

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ately, such a study can easily and quickly be done. See the chart below.

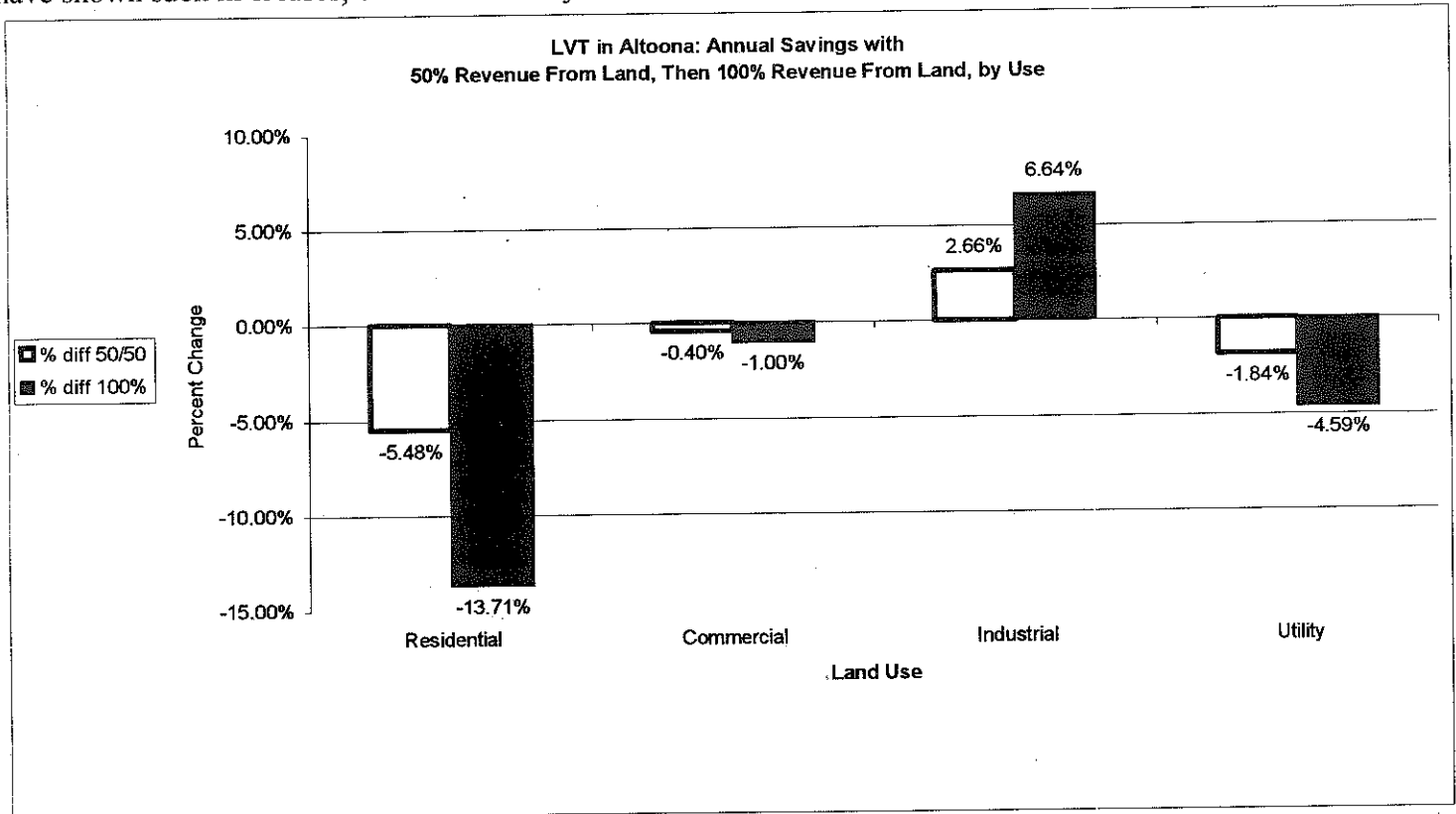
In ensuing years, the Altoona Council is likely to lower the tax rate on building assessments even

further and raise the land-assessment tax rate correspondingly.

The Center for the Study of Economics will do a study in the usual three years to determine if there has been an increase in new construction and renovation, as measured by building permits issued. We look forward to publishing the results in *IT*.

We will then compare Altoona's record in this with a nearby old-fashioned one-rate city.

We are optimistic there will be an increase of permits issued because all of our existing seventeen (17) studies have shown such in creases, but we can always use more such studies (even though it is like gilding the lily).



Also, two-rate cities have always out-constructed and out-renovated nearby comparable one-rate cities whenever such comparisons could be made.

IT readers should know that Altoona now becomes the twentieth two-rate locality in America (there are many more overseas). Among these 20 localities are a downtown business-improvement district and a school district; the rest are cities.

Readers interested in establishing businesses in low building tax, business-friendly Altoona are invited to contact us for help.

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From the Director: Land & Taxation News

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sible benefits of a land value tax, paired with zoning changes and other modifications, merit study in New Hampshire.

"Results suggest that tax reform would have a modest, positive impact on the [town of] Berlin region within one year, with added benefits over 10 years. Cost of living would go down slightly, while nonresidential investment spending and residential construction would rise. In the long run, advantages would multiply, so a decade after adopting the tax change, residential construction in Berlin would be above the baseline forecast, cost of living would be lower, and migration from Coos County would slow or even stop."

LVT Rules OK in the UK?

"Urban Regeneration a Fresh Approach" was the theme of an October 2002 London conference that discussed land value taxation and gained the support of most attendees. The view of Liverpool Vision chairman Sir Joe Dwyer crystallized the message of the conference: "Should land value tax be introduced into the UK, then in terms of impact there is no greater example than the UK housing market, with huge benefits in releasing the housing market from the grip of the high inflationary aspects of land speculation and hoarding."

—Joshua Vincent, Director of CSE

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❖ IT reader Dianne Warriner wants us to remind IT readers that school districts can adopt two-rate (not only cities). They certainly can; for instance, when Aliquippa school district adopted two-rate, most property owners paid less and there was the usual spurt in new construction and renovation.

❖ Anyone who goes to a psychiatrist ought to have his head examined.

❖ 11/14/94 note from Jack Saunders, then Chief Assessor Allegheny County, which includes the city of Pittsburgh: "There appears to be a lot of evidence that a well managed graded tax system could stimulate real estate development in that a good percentage of the tax burden could be removed from the buildings, and that there could be a lot more reasons for making the best use of valuable land."

❖ State income and sales taxes have recently taken nose-dives. Only the property tax is a reliable govt. source of revenue. Of course, it should be properly levied.

❖ Readers, I urgently ask for your help – please tell me why is it so difficult to get localities to go two-rate LVT property tax, when it will down-tax most voters and stimulate new construction and renovation?

❖ If you like the two-rate property tax but do nothing to implement it, you are hurting your town.

❖ Taxes count: In 2001, benefits were 18.6% of wages (IBD, A16, 11/11/02, citing Employee Benefit Research Institute). They have been on a steady rise since 1960. Why? Most benefits are not taxed.

❖ Be kind to farmers – exempt all farm improvements from the local property tax.

❖ Clairton, Pennsylvania is on the verge of becoming the *First City in America* to levy its property tax on land assessments only. It is contemplating abolishing altogether the small tax it has on buildings. *That will really make the national news.* We'll see to that.

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Remembering Dian Arnold

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cowgirl skirts and her commitment to a better world, which has become slightly more boring.

Dian Stitt Arnold died in her Fairhope home on Thursday, January 16th. Memorials may be made to the Organic School or The Henry George Foundation of America.

Most Pittsburghers Get Tax or Rent REDUCTIONS With Two-Rate

After hearing complaints from wealthy property owners about a recent countywide property re-assessment, the City Council in Pittsburgh rescinded the two-rate Graded Tax, which it has had since 1913. How were the voters affected?

In order to find out, Professor Herbert Barry III of the University of Pittsburgh and Professor Steven Cord of Indiana University of Pennsylvania (and editor of this periodical) conducted a random survey of 451 homeowners, taken from the phone directory and internet assessment lists.

Barry and Cord found that 54% would save if Pittsburgh were to reinstitute the two-rate Graded Tax. But in addition, it must be noted that *all* apartment tenants *per se* in Pittsburgh will save on their space-rent in the long run (many Pittsburgh voters are

apartment tenants).

That's because the two-rate property tax on building assessments is passed on to tenants in the form of higher rent, but that tax will of course be considerably less with the two-rate Graded Tax.

The two-rate property tax on land rent paid by the apartment-house owner cannot in the long run be passed on to the tenants (on this economists unanimously agree) because the supply of

land is fixed; Pittsburgh's boundaries won't shrink because of the two-rate Graded Tax. Apartment houses are among the biggest tax savers with the two-rate Graded Tax (reason: big building on moderately priced residential land).

So, the owners of these apartment houses will benefit in the short run because they will get lower property-tax bills along with the same rents from their tenants.

The countywide re-assessment resulted in more than a 5-times increase in Pittsburgh assessments. Of course, tax rates correspondingly decreased, but the voters ignored that.

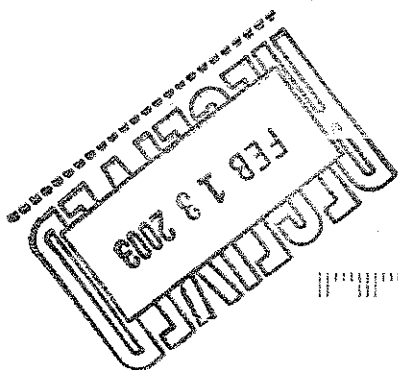
They thought their property taxes would decrease if the two-rate Graded Tax were rescinded - but the Barry-Cord study shows that instead most of them paid more property tax.

Endorsement 521

Sierra Club--Maryland gave the two-rate property tax its highest "strongly support" rating. The club suggested that if Baltimore were to adopt this approach, "the effect would be to draw development into the city and relieve the pressure on open space land" (Center for Public Dialogue report).

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